

Primer on local government coordination

Online appendix to the inquiry into
local government regulatory performance

The New Zealand Productivity Commission

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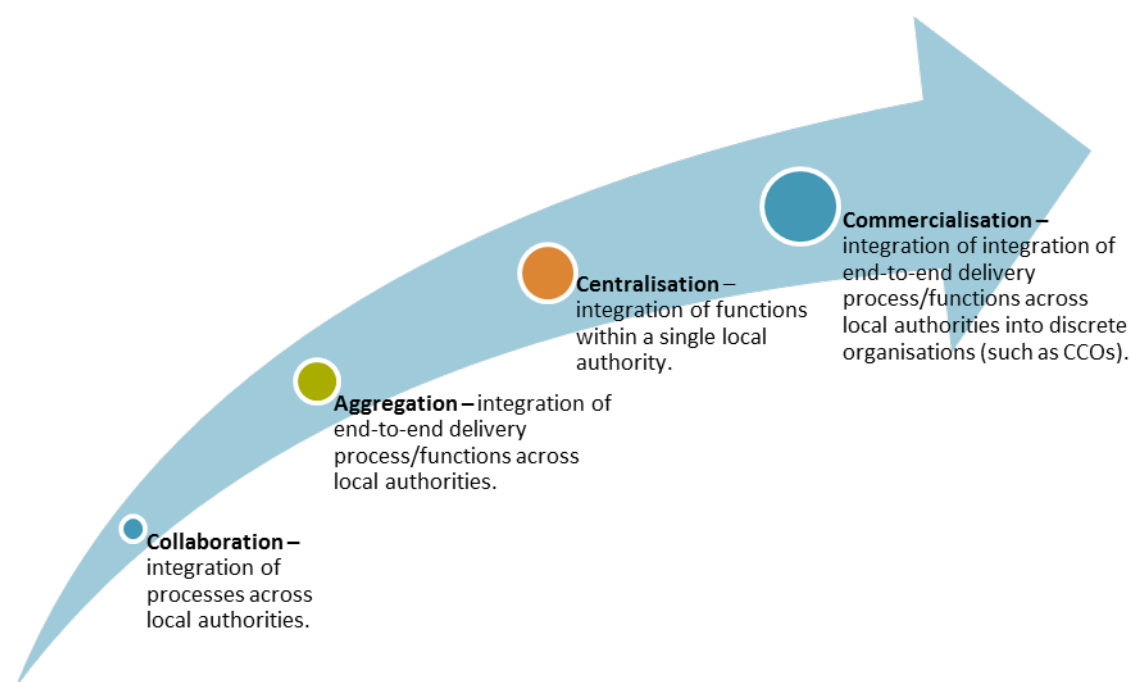
Appendix G

This primer summarises what local councils have told the Commission about their coordination activities in the course of the inquiry into local government regulatory performance. The primer uses this information to develop advice for councils for considering local government coordination. It also provides examples of coordination practices for councils to draw on.

G.1 What is cooperation?

Cooperation is 'the action or process of working together to the same end' (www.oxforddictionaries.com). There are a number of ways to conceptualise the range of mechanisms through which local councils may choose to cooperate in the provision of regulatory services. Figure G.1 sets out one way of thinking about the range of available options.

Figure G.1 Spectrum of cooperative approaches



Source: Adapted from LGNZ (2011)

For each of the approaches to cooperation depicted in Figure G.1, there is a range of possible joint venture structures. Local Government New Zealand (LGNZ) identifies these structures as including partnership agreements, joint venture agreements, staffing agreements and service delivery agreements (LGNZ 2011). The Office of the Auditor-General (OAG) also gives examples of the types of coordination possible, or that were occurring in 2004 (Box G.1). Under the right circumstances, each of these options has merit and, with the exception of commercialisation across local authority boundaries, the Commission saw and heard of many successful examples of each form of cooperation over the course of its engagements. A few of these are profiled in sections G.7 and G.8.

Box G.1 Examples of cooperation from the OAG's report *Local Authorities Working Together*

- Providing services that cross territorial boundaries
- Jointly contracting for goods and services
- Establishing common standards and guidelines
- Sharing resources such as staff
- Forming a separate body to carry out common functions on their behalf or forming a consortium to share the costs of products or services
- Acting jointly
- Establishing a Council-Controlled Organisation (CCO) together
- Transferring or delegating some of their functions or powers to another local authority in prescribed circumstances

Source: OAG, 2004.

G.2 Why cooperate?

Chapter 1 of the inquiry report described how regulatory systems involving more than one level of government and many councils can lead to a number of 'gaps' that need to be managed. These gaps included information, capacity, fiscal, administrative, and policy gaps (Box 1.5). Cooperation between local authorities can be an effective way of managing some of these gaps (OECD, 2009, p. 3). For example:

- A capacity gap arises when there is a lack of human resources or infrastructure resources available to carry out tasks. To manage this gap, local authorities can share employees and/or infrastructure. The international experience is that this is one of the strongest drivers of local authority cooperation.
- An administrative gap arises when the administrative borders of councils (or other authorities) do not correspond to functional economic areas at the local level. For example, two local authorities may regulate different parts of the same local economic area, with one local authority regulating the business district and another local authority regulating the place of residence of most workers in this business district. This split in regulation across local authorities can limit each authority's power to influence central government policy, create external costs and benefits¹, and potentially contribute to territorial fragmentation. In this case, cooperation can strengthen bargaining capacity and internalise costs and benefits, leading to more efficient outcomes. (OECD, 2009)

Improving processes and relationships to facilitate cooperation may potentially be more important than structural change. Indeed, in some cases cooperation can be a substitute for the reallocation of regulatory responsibility and amalgamation. For example, building consents for dams would seem to have national provision characteristics – low frequency, high risk, and high technical expertise. However regional councils, most of which are not registered building consent authorities, are responsible for implementing the relevant regulation. As outlined below, this situation has led to regional councils working together.

Cooperation resulting in improved processes and relationships has a number of additional advantages:

- Cooperation gives councils the flexibility of only working together in areas where there are advantages: for example, councils can choose to work together in areas where there are economies of scale, and choose to work alone in areas where there are diseconomies of scale (Ostrom, Parks, and Whitaker, 1973).

¹ External costs or benefits from an activity are costs and benefits that affect somebody other than the people engaged in the activity.

- Cooperation also gives councils the flexibility to work with the best suited partner in each regulatory area. This may lead to better outcomes than amalgamation where the partner is fixed across all regulatory areas.
- Whereas amalgamations are typically contemplated or raised with respect to neighbouring authorities, there is no such natural limitation on the set of possible partners for cooperation.

G.3 The basis for local government cooperation

This primer deals with local government cooperation in the provision of regulatory services, as opposed to the other non-regulatory services local government provides. For example, building consents, food safety and dog control are covered in this primer because they involve the provision of regulatory services. On the other hand, the provision of swimming pools, libraries, rubbish collection, and civil defence are non-regulatory services and are not discussed here. The primer also focuses on the frontline provision of regulatory functions rather than transaction processes (payroll, finance) and professional support services (human resources and procurement).²

Legislative basis for coordination

The Local Government Act 2002 (LGA) provides explicit legal provisions for local authorities to work together, as detailed in Box G.1. This recognises that working together with other authorities can be consistent with, and even necessary to, achieving the best long-term outcomes for a community.

Box G.1 Local Government Act 2002 provisions relating to coordination

Sections 12 and 14 provide guidance to local authorities in relation to the role of coordination:

- 12 (6) Subsections (4) and (5) do not—
- (a) prevent 2 or more local authorities engaging in a joint undertaking, a joint activity, or a cooperative activity; or
 - (b) prevent a transfer of responsibility from one local authority to another in accordance with this Act; or
 - (c) restrict the activities of a council-controlled organisation;
- 14 (1) (e) a local authority should collaborate and cooperate with other local authorities and bodies as it considers appropriate to promote or achieve its priorities and desired outcomes, and make efficient use of resources;

Further to this, section 15 requires local authorities to agree protocols for communication and coordination among them:

15 Triennial agreements

- (1) Not later than 1 March after each triennial general election of members, all local authorities within each region must enter into an agreement containing protocols for communication and co-ordination among them during the period until the next triennial general election of members.
- (2) Each agreement must include a statement of the process for consultation on proposals for new regional council activities.
- (3) After the date specified in subsection (1), but before the next triennial general election of members, all local authorities within each region may meet and agree to amendments to the protocols.
- (4) An agreement remains in force until replaced by another agreement.

It is, however, important to note the limitations to coordination in some instances:

Section 12 (6) notes where there may be exceptions, especially related to the activities of council-controlled organisations and the transfer of responsibility, for example. Generally, councils cannot

² The latter have been covered in other publications, such as OAG (2004) and LGNZ (2011).

contract out of regulatory responsibilities, so the nature of government structures or shared services models needs to be mindful of provisions in the LGA (LGNZ, 2011, p. 11).

Source: Local Government Act 2002

G.4 Survey responses on local authority cooperation

Local authorities are cooperating

The Commission's survey of local government reveals that the majority of councils undertake some form of cooperation – 89% of councils responded that they coordinate/collaborate with other councils on regulatory functions in some way. Although cooperation occurs across a range of regulatory areas, the issuing of building and planning consents is the most common regulatory area for council cooperation (Figure G.2). As discussed elsewhere in the report, these areas are also the regulatory functions that councils spend most of their time and resources on, and that businesses have identified as being most important in terms of their interactions with councils.

Figure G.2 Areas of regulatory cooperation

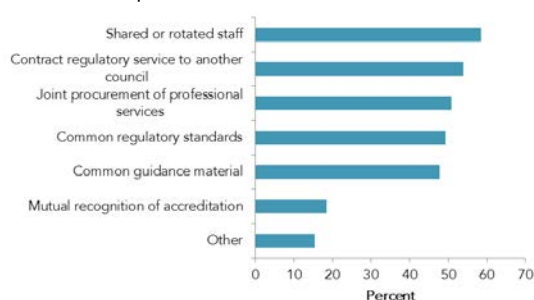


Source: Productivity Commission, 2012.

The survey results indicate that councils cooperate across a range of regulatory activities including policy making, regulatory enforcement and monitoring. The most common motivations for collaboration are to share best practice knowledge and to align regulation (Figure G.3). The most common form of cooperation involves sharing staff and contracting out regulatory services to another council (Figure G.4). On the other hand, the mutual recognition of accreditation (where one council recognises accreditation provided by another council) is relatively rare across local authorities. As well as these formal forms of cooperation, around 75% of councils indicated that they also engage in less formal cooperation. Examples of successful informal cooperation include regular meetings on best practice/common issues and resource sharing (Figure G.4).

Figure G.3 Motivation for cooperation

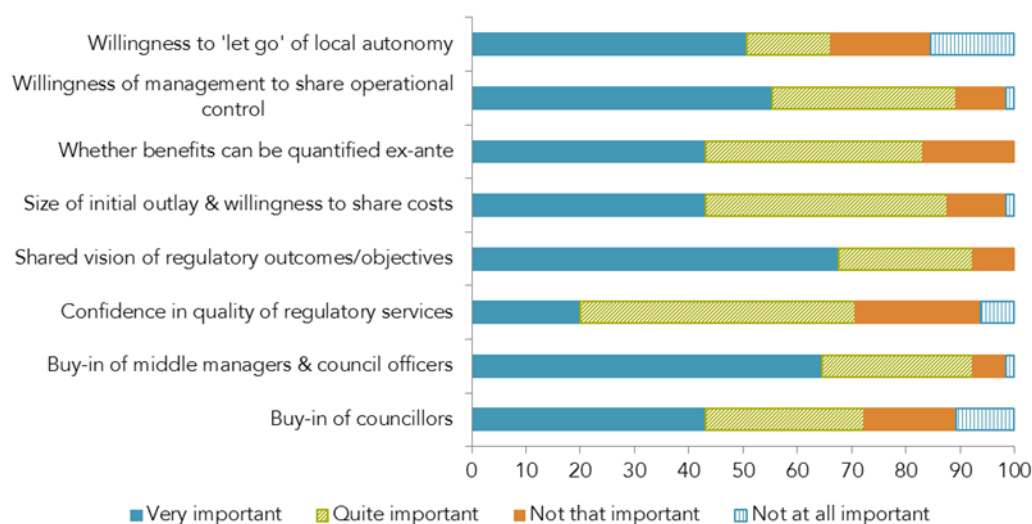
Source: Productivity Commission, 2012.

Figure G.4 The form of cooperation across councils**Formal cooperation****Informal cooperation**

Source: Productivity Commission, 2012.

The survey results reveal that councils have generally had good experiences with collaboration – 36% and 60% of councils responded that cooperation was ‘very successful’ and ‘quite successful’ respectively, whereas only 4% responded that cooperation was ‘not successful’. Perhaps reflecting the widespread use of cooperative arrangements and generally positive outcomes, councils expressed a high willingness to cooperate across the range of regulatory functions that they undertake. Indeed, 85% of councils responded that there are no regulatory areas in which they would not be open to some form of cooperation. When considering cooperation with another council, a shared vision of regulatory outcomes and objectives and the buy-in of middle management and council officers are typically very important in deciding whether or not to proceed (Figure G.5).

Figure G.5 The importance of different factors in deciding whether or not to proceed with cooperation



Source: Productivity Commission, 2012.

However, the impression that council cooperation is widespread needs to be tempered with the observation that cooperation still proves difficult in some regulatory tasks. Two submissions make this point:

Examples of shared services among local authorities can be cited, but sharing of services is the exception rather than the rule with New Zealand local authorities. There are examples of shared regulatory documents, but they are extremely rare in New Zealand. In the Waikato region alone each of the eleven territorial authorities has its own statutory plans (often structured in their own unique way), numerous strategies, and even more numerous policies and bylaws (Waikato Regional Council, sub. DR 92, p. 4).

To be successful, this really involves the alignment of enforcement policies between the various participating authorities. Then the concept has to, at least, be communicated, and perhaps accepted, by stake-holders in those authorities. Relationships between Council and stakeholders may break down over nothing more than, say, different people from the usual turning up unannounced at a building site to see that the building code is being complied with. (Richard Fisk, sub. DR 76, p. 3)

G.5 The benefits and costs of cooperation

Entering into cooperative arrangements involves the commitment of council time and resources. As such, new arrangements need to be supported by a clear business case (OAG, 2004). However, despite the apparent wide use of cooperative arrangements, very few domestic or international studies have been undertaken to quantify the benefits and costs of cooperation (Dollery, Akimov & Byrnes, 2009). The studies that have been undertaken broadly tend to focus on 'shared services' rather than on 'regulatory services' per se (Dollery & Akimov, 2007).

While these existing studies provide useful insights into the general gains from cooperation, care needs to be taken when using them as a benchmark for new collaborative agreements. Local authorities are complex organisations, each with their own unique cost structures, capabilities, priorities and management challenges. This variability means the net benefits of cooperation are likely to be highly situation-specific, and any attempt to anchor a business case around the experiences of other jurisdictions risks serious inaccuracies.³ As the Thames-Coromandel District Council notes:

We are collaborating with our neighbouring Councils (by sharing planning and information) in the development of a local alcohol policy, however, our immediate neighbours have a different approach to liquor than we do on the Coromandel-Peninsula given that we have an events and tourism focus, whereas our neighbours have a more residential and rural focus. As such, whilst we may work together in planning we are not able to have a joint policy. (sub DR 78, p. 5)

³ The exception to this would be where the councils involved in the study closely resemble those considering entering into a cooperative agreement and where the agreement itself closely matches that being evaluated. However, such a situation is highly unlikely.

Furthermore, caution needs to be taken not to subsume the methodological inaccuracies of the 'source study' into the business case for a new cooperative arrangement (see Box G.2).

Box G.2 Estimates of cost savings from cooperation – use with caution

One commonly cited study was undertaken by the consulting firm AT Kearney in 2008. This study involved interviews with 25 senior government staff from nine countries. Among other things, the study aimed to gain an understanding of the perceived magnitude of benefits from shared services. It concluded that the *target* benefits for shared services are "in the 15-25% range" (p. 1). Importantly, AT Kearney (2008) clearly states that the "analysis is not statistically representative" (p. 3), and expresses doubts over the accuracy of the survey results, saying:

So, this is significantly better than originally anticipated. Or is it? Although comfortable in declaring approximations, these were rarely backed up with hard evidence. Indeed some interviewees openly stated that benefits were not measured. (p. 19)

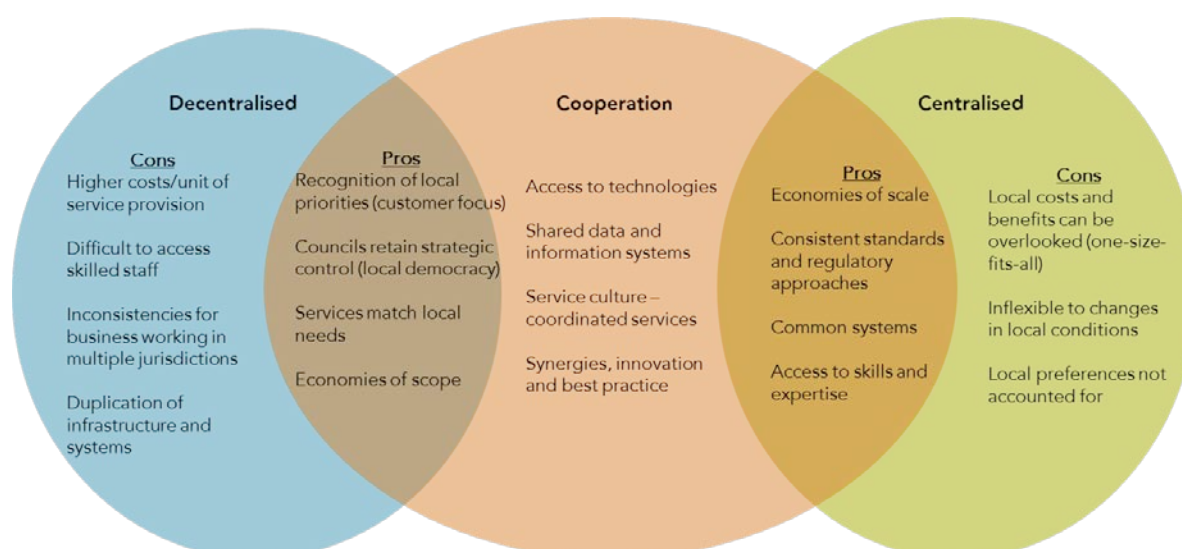
These crucial caveats should accompany any reference to these figures.

An earlier study conducted by AT Kearney in 2005 suffered from similar methodological shortfalls, yet the results (15–20% cost reduction) have found their way into several studies in Australia (eg KPMG (2007), KMMC (2005)). If cited frequently enough, such figures can take on an artificial sense of rigour. New Zealand local authorities therefore need to be cautious to avoid falling into the trap of such 'folklore economics'.

Benefits from cooperation

A key rationale for cooperation is that it can capture many of the benefits of centralisation while maintaining the advantages of local decision making (such as the ability to cater for spatial variations in community preferences). As illustrated in Figure G.6, cooperation between local authorities may also avoid some of the perceived negatives associated with having a solely centralised, or decentralised, regulatory system.

Figure G.6 Benefits of collaboration



While the precise gains from cooperation are unique to each circumstance, studies in New Zealand and overseas (and submissions to the inquiry) tended to emphasise the following benefits:

Cost savings associated with economies of scale

Cost savings can arise through the more efficient use of capital, greater purchasing power, and through councils specialising in the provision of a particular regulatory service. An example of scale was provided by Palmerston North City Council:

The agreement with Manawatu has many advantages, including administrative economies of scale - e.g. only our Council needs to be an accredited Building Consent Authority and there is a single certification process for clients of both Councils. (sub. 34. p. 2)

A recent study considers that one of the most significant benefits of increased scale is increased 'strategic capability':

The concept of 'strategic capacity' can be seen as building on economies of scope. It concerns the ability of councils to identify and respond to factors influencing the community's future, and is more likely to be enabled when there is jointness of activity. (Aulich et al, 2011, p. 42)

Access to skills and expertise

Cooperation on regulatory functions can assist councils to access specialist skills. For example, by pooling resources, councils may develop the volume of service delivery necessary to warrant employing a full-time specialist. This can avoid the additional costs associated with contracting consultants. This point was highlighted by Rangitikei District Council:

Capability is a critical issue, particularly for smaller councils where expertise typically lies in a small number of staff. This can easily lead to dependency on external advisers, resulting in higher costs and no development of internal capacity... Shared services can assist in this issue, evidenced by the shared service for animal control between Manawatu and Rangitikei District councils... (sub. 35, p. 4)

Exchange and adoption of best practice

The Commission's survey results reveal that sharing best practice knowledge is a key driver of cooperation between councils. Cooperation can act as a catalyst for exploring new ways of doing business previously not considered by either party. Similarly, cooperation can provide opportunities for councils to learn from 'thought leaders' within the sector.

Shared services have demonstrated the ability to support a learning environment by sharing ideas and promoting good practice across councils involved. Such a learning environment of constant improvement is reported to result in innovations and processes being developed that may otherwise take longer to emerge. (LGNZ, 2011, p. 28)

The local authority shared services model among Bay of Plenty councils, which facilitates collaboration in areas such as procurement and operates as a limited liability company, is perhaps a useful model. (Federated Farmers, sub. DR 111, p. 15)

[T]here is most likely to be savings when resources are being shared across more than one council, and Western Bay of Plenty councils already have a history of this type of cooperation in service delivery. It is important to note that these arrangements will vary and the same business models may not work in other areas. (LGNZ, p. 10)

Improved service delivery

Depending on the circumstance, cooperation can improve service delivery in a number of ways. For example, cooperation can aid regulatory consistency between councils, improve customer focus and reduce processing times. The role of cooperation in promoting consistent regulatory approaches was raised by Waitomo District Council in its submission to the inquiry:

Increasingly, local authorities have started to work together to achieve regulatory goals. Some examples include - development of the Waikato Building cluster and the Waikato Food Safety Cluster Group. This Cluster approach allows consistency in interpretation of standards across the region, provides peer support for staff who work in professional isolation and encourages best practice in regulatory administration. The Waikato Local Government Forum is also currently working on improving regulatory performance in the region. (sub. 9, p. 6)

Improved compliance with legislative standards

Cooperation between councils can have broader implications for society. By improving the efficiency and effectiveness with which regulations are administered, cooperation can raise the level of regulatory compliance. For example, by sharing information, councils may be able to better target their monitoring efforts and detect non-compliance (LGNZ, 2011). Similarly, by improving the standard of service delivery, cooperation can make it easier for people to comply with regulations – thus improving the likelihood of voluntary compliance (see discussion on compliance in Chapter 10).

Benefits of council cooperation from an iwi perspective

The submission by Te Rūnanga o Ngāi Tahu notes the potential resourcing benefits to iwi of effective cooperation between councils. Resourcing benefits are especially important in light of the finding on Chapter 9 of this report that some Māori organisations lack the capacity to work within the statutorily required process:

A potential benefit of cooperation between local authorities is that these authorities are likely to share relationships with local hapū or iwi. Common issues may be able to be discussed collectively, and solutions developed that cross local authority boundaries, so that the experience of hapū or iwi members dealing with the different authorities is consistent. Resource management issues in particular can benefit from a collaborative approach. This could have significant benefits for iwi authorities as a means of reducing the amount of resource needed to address a particular regional issue. It is another way of overcoming capacity issues faced by all iwi authorities (Te Rūnanga o Ngāi Tahu, pp 10-11).

Coordination benefits identified in recent studies

Box G.3 provides a broad overview of the benefits of cooperation that have been highlighted in New Zealand and international studies.

Box G.3 The benefits of cooperation from selected studies

Local Government New Zealand (2011):

A study into shared services undertaken by LGNZ highlights seven common benefits of these arrangements. These are: cost savings, access to skills and expertise, exchange of best practices, procurement savings and practices, improved community outcomes, improved service delivery, improved compliance with legislation and standards.

Office of the Auditor-General (2004):

Identifies financial and non-financial benefits of councils working together. These are: avoided staff costs; access to skills and expertise; exchange of best practice; procurement savings from economies of scale; better community outcomes; coordinated services; and improved compliance with legislation and standards.

Commerce Commission (1997):

Identifies a number of areas through which collaboration and cooperation can lead to efficiency gains. These are: economies of scale; economies of scope; better utilisation of existing capacity; cost reductions (due to reduced labour costs); greater specialisation of production; lower working capital; reduced transaction costs.

Australian Productivity Commission (2012):

In relation to the benefits of cooperation for businesses, the Australian Productivity Commission (APC) has noted: "Resource sharing among local government can address deficiencies in the capacity of individual local government to discharge their regulatory functions. In particular, sharing staff resources provides individual local government with access to additional skills and resources which is likely to assist in reducing the delays on business in obtaining local government approvals and permits." (p. 204)

South Australian Financial Sustainability Review Board (2005):

Rising to the Challenge identified seven financial and non-financial benefits for councils. These were: lower staff costs; access to skills and expertise; exchange of best practice; procurement savings from scale economies; improved community outcomes; coordinated services; improved compliance with legislation and standards.

KM Management Consulting (2005):

Suggested five major benefits could flow from a shared service arrangement: scale economies; leveraging of technology investments to achieve cost savings and improved service delivery; improved service provision; achievement of a customer service focus; greater concentration on strategic outcomes.

Costs of cooperation

While cooperation can bring many benefits, these can come with associated risks and costs. As with the benefits of cooperation, the nature of these risks and costs will be situation-specific and often difficult to quantify. Nevertheless, the clear articulation of these risks and costs is vital for judging whether or not there are efficiency or operational advantages to cooperation.

Four key risks and costs associated with cooperation are introduced below.

Political risk

Like most public agencies, councils operate in a political and media environment that rewards pointing out examples of failures and is intolerant of the perceived 'waste' that can come when an innovation is unsuccessful. In discussing the political risk to councils in the UK from shared services, Deloitte (2009) notes:

Failures are often drawn out in the public domain. If the consequences of failure include reputational damage, as well as a loss of organisational autonomy, shared services tend to face significant political scrutiny. (p. 8)

Such an environment can make councils risk averse to cooperating – or, when they do, favour cooperation at the lesser end of the continuum. This is particularly relevant in cases where the benefits from cooperation are uncertain or difficult to quantify (eg improved customer service).

Establishment costs

Cooperative arrangements can in themselves be costly to establish. These costs can come in many forms, including:

- the commitment of internal resources to negotiations with potential partners (ie, managerial time and attention);
- possible service disruptions while in transition to a new cooperative arrangement;
- legal and consulting fees associated with establishing new governance structures and training to familiarise staff with new systems or processes; and
- reduced local employment if a service is provided by another council (in several areas councils are a major employer of local residents).

Compromises in the delivery of local service

Each party to a cooperative arrangement brings with it its own set of priorities and community expectations. However, cooperative arrangements can involve councils compromising in one area in order to access the (presumably larger) gains from cooperation. For example, a local authority may need to trade-off application processing times for lower processing fees.

For shared services to operate cost effectively, the processes and the policies that drive them need to be standardised. Many organisations sign up to shared services and the principle of standardisation without understanding the consequences. Standardisation involves compromise. The more standardised a process can be, the easier it is to reduce management costs, deploy technology to automate the process, and implement self-service to reduce process duplication, which in turn drives down unit cost. However, when bringing together multiple organisations the view is often that "standardisation is fine, if everyone uses my processes as they work fine for me." (Deloitte, 2009, p. 10)

Compromises are likely to be lowest where local authorities share a common understanding of the regulatory objectives and where their priorities align – a point borne out in the Commission's survey of councils.

Weighing costs and benefits

It can be very difficult to weigh up the costs and benefits of regulatory coordination, particularly when there is little evidence of actual expected savings. When this is the case, a useful first step is to tabulate the key costs and benefits of coordination. This at least provides clarity about the trade-offs involved in

coordination attempts. Aulich et al (2011) summarise their research into the costs and benefits of various forms of local government consolidation in Australia and New Zealand in Table G.1.

Table G.1 Summary attributes of different forms of consolidation

	Amalgamation	Boundary change	Shared services	Regional collaboration
Efficiency and economies of scope	Strong link	Potentially strong link subject to size/disposition of re-shaped councils	Strong link	Weak link
Strategic capacity	Strong link	As above – benefits will flow to larger ‘new’ council/s	Potential medium-strong link subject to organisation structure and governance	Weak link
Service improvement and innovation	Strong link	As above	Strong link (but limited to those services that are effectively shared)	Potential link subject to nature and scope of collaboration
Potential diminution of local democracy	Distinct risk, but can be managed	Some risk depending on nature of ‘new’ councils – can be managed	Risk where shared services are extensive and decision making is ceded to joint authority – may be difficult to manage	Little or no risk

Source: Aulich et al, 2011, Table 1.2, p. 7

G.6 Regulatory functions suited to collaboration

Based on the above discussion, it is possible to draw some broad conclusions about the characteristics of regulatory functions that lend themselves to cooperation across councils. These are often, but not always, indicators that economies of scale may be present. While suitable regulatory functions may not exhibit all of the characteristics, they will typically exhibit several.

As outlined by Valle de Souza and Dollery (2011), regulatory functions that lend themselves to cooperation are often those where:

- service provision can be tailored to account for local preferences in each local authority, or the enabling legislation provides little scope for local autonomy;
- fixed costs are a significant proportion of total costs, and marginal costs of providing additional regulatory services are low (this allows for greater utilisation of capital and hence low costs per unit);
- the bulk purchasing of inputs occurs (and the price paid for inputs is inversely related to the quantity purchased);
- the businesses being regulated operate across local authority boundaries (and regulatory consistency is valued by the wider community);
- specialist skills and expertise are required, and a critical mass of service provision is needed to justify developing an internal capability in these areas; and/or
- technology has enabled the task to be undertaken remotely or in a different geographic location.

A number of other studies have identified the characteristics of processes/functions that are most suitable for shared services more generally. For example, KPMG (2007) lists the following characteristics:

- high volume;
- efficiency focused;

- repetitive activity;
- easily measured performance;
- consistent customer requirements; and
- transaction/service-oriented skill sets.

Allan (2001), on the other hand, identifies characteristics that help to distinguish which services lend themselves to shared services as follows:

- **Non-core functions:** Allan (2001) contends that shared service arrangements are not appropriate for core functions of councils – such as policy, planning, general governance and community consultation.
- **Low supplier availability:** Allan (2001) argues that if councils are able to purchase services from highly competitive markets (through outsourcing) then a shared service arrangement with another council is unlikely to succeed. However, in areas where local suppliers of services are scarce (such as remote rural areas) then sharing of resources may represent an efficient way for councils to gain access to experience, skills and equipment.
- **Low task complexity:** Allan (2001) contends that complex tasks are difficult to monitor and therefore unsuitable for shared service arrangements.
- **Substantial economies of scale:** Characterised as services that are mass produced and highly standardised where cost per unit falls as volume increases.
- **Specialised technology:** This enables sharing of high capital costs and better utilisation of large capital items.
- **Low asset specificity:** Allan (2001) argues that where a function involves expensive and specific assets, it may be more efficient for these assets to be owned by a council than provided by an external provider (rather than have a contractor invest in an asset that will outlive the life of the contract).

G.7 Examples of cooperation

Submissions to the inquiry contained a large number of examples to support the survey results of extensive collaboration across local authorities. As foreshadowed in the survey results, a number of these collaborative arrangements are focused on various aspects of issuing building consents. There are, however, numerous examples of collaboration across a range of areas where territorial authorities work together with the aim of promoting consistency, best practice and regulatory efficiency. Table G.2 sets out some examples of coordination. Section G.8 provides further information on these examples.

Table G.2 Examples of regulatory coordination in New Zealand

Regulatory area	Coordination example	Objective	Activities
Building control	Lakes Coast Cluster Group of Building Consent Authorities (eight authorities)	Provide a consistent approach to decision making around the issuing of building consents	Specialist consultants working across the eight authorities Regional training initiatives
Dam safety	Waikato and Otago Regional Council dam consenting on behalf of other regions	Share specialist technical skills across councils	Waikato Regional Council processes dam building consents on behalf of all the North Island's regional councils. Otago Regional Council is responsible for building control for dams and their associated structures in the West Coast and Southland regions
Dog control	Hamilton City Council and Rotorua District Council 'Dogs Online' initiative	Achieve more from financial investment in a package of services than each council could achieve individually	A shared online dog registration service
Food safety	Waikato Food Safety Cluster (five authorities)	Utilise experiences of building control coordination to assist in delivering new food safety regulation	A shared a food regulatory service, including peer support for staff
Freshwater management	LGNZ regional sector council cooperation on implementation of National Policy Statement for Freshwater Management	Provide a level of consistency for regional councils in their regulatory approaches	Jointly contracted legal opinions Joint paper on the First Principles of Water Allocation A toolkit to bring together best practice in non-statutory programmes designed to improve water quality A policy paper and related advocacy tools
Resource management planning	Cooperative regional planning in Northland	Develop an improved and consistent framework for resource management	A committee of council with regional and district councillors to oversee the process Collaborative stakeholder engagement

Source: Various submissions to the Productivity Commission, as discussed in Section G.8.

G.8 Examples of coordination across local authorities

Lakes Coast Cluster Group of Building Consent Authorities

This group began operating in 2006 under a Memorandum of Understanding. It involves eight territorial authorities that collectively serve a population of over 330,000 people.⁴ In broad terms, the objective of the group is to provide a consistent approach to decision making around the issuing of building consents. In turn, this should deliver more certainty to consumers and give the constituent territorial authorities greater strategic influence at the national level. In addition, by pooling resources the group aims to increase regulatory efficiency, leading to cost savings for the sector and communities.

With greater scale, this group of territorial authorities has engaged specialist consultants to work across the cluster and undertaken a number of regional training initiatives. It has also participated in national pilot trials and workshops and has successfully accredited its member territorial authorities. The cluster is a good example of regulatory authorities working together for the benefit of the public, customers and applicants, and is recognised by the Department of Building and Housing (now the Ministry of Business, Innovation and Employment) as an effective group.

The positive impact of this collaboration on consistency and regulatory capacity is apparent from the Western Bay of Plenty District Council:

The number of staff involved in the building and resource consent activities has reduced significantly over the last three years as a result of the slow-down in applications as the economic recession took hold. This was a necessary measure taken in response to reduced fee income from fewer applications. At the height of the development boom during 2003–2008, resource and building consent staff peaked at 13 FTEs, compared to 8 currently.

At these low staffing levels it is a challenge for Council to retain the capacity to meet statutory consent processing timeframes and maintain sufficient technical expertise to enable appropriate service response once growth across the District increases. This has been part of the motivation for collaborating with neighbouring councils in the region through the Lakes Coast Cluster Group of building consent authorities. (Western Bay of Plenty District Council, sub. 33, pp. 2-3)

Other examples of building consent collaboration

There are numerous other examples of collaboration across territorial authorities in the issuing of building consents. For instance, Palmerston North City Council provides a full range of building consent services to Manawatu District Council and other surrounding councils, and sees considerable benefit in these arrangements:

The agreement with Manawatu has many advantages, including administrative economies of scale - e.g. only our Council needs to be an accredited Building Consent Authority and there is a single certification process for clients of both Councils. It also allows for a better management of workload between the two Councils and makes it easier for PNCC to recruit and train staff across both Councils. However, because we do not run a central processing team, people in Manawatu can still lodge consent applications in Feilding and can still talk to local building officers. This is an important part of providing local services.

PNCC has also worked with some of our wider neighbours to offer level three building inspection services (for complex commercial and industrial consents). These are infrequent consents and working with our neighbours in this way means that expertise can be shared amongst us, instead of each Council trying to maintain its own expertise. (Palmerston North City Council, sub. 34, p. 3)

By way of another example, in response to the Canterbury earthquakes, Hastings District Council began processing building consents on behalf of Christchurch City Council. This collaboration has been positive for regulatory efficiency, avoiding the need to reduce resources devoted to this regulatory function in Hastings and increasing them in Christchurch. As a result, Hastings District Council has been able to keep its consent processing teams intact and improve revenue, while Christchurch City Council has been able to

⁴ Members of the group are Taupo District Council, South Waikato District Council, Rotorua District Council, Kawerau District Council, Opoitiki District Council, Whakatane District Council, Tauranga City Council, and Western Bay of Plenty District Council.

focus more on critical inspection work. This example also underscores the point that territorial authorities that cooperate on the delivery of regulatory services do not have to be neighbours.

Dam safety

A number of submissions cited building consents for dams – assessing applications and the inspection and certification process⁵ and dam safety⁶ – as examples of councils cooperating successfully. These functions require specialist technical skills. Furthermore most regional councils are not registered building consent authorities. This has seen councils work together. In the North Island, Waikato Regional Council acts on behalf of all the North Island's regional councils. In the lower South Island, Otago Regional Council is responsible for building control for dams and their associated structures in the West Coast and Southland regions.

The issues paper asks for examples of regulatory innovation and regulatory cooperation and coordination by local government that presents opportunities for wider adoption. Section 161 of the Building Act makes regional councils responsible for identifying, consenting and certifying dangerous dams (as defined by s153 of the Building Act 2004). This is a much specialised area of building and engineering certification. Because Greater Wellington and other regional councils are not registered building consent authorities and do not possess the technical expertise to assess and issue code compliance certificates for such structures, regional councils have worked together on this matter. Several regional councils have become accredited Building Consent Authorities and they process building consents on behalf of all regional councils. While we retain administrative functions and overall responsibility for the building permit process, Greater Wellington has transferred these specific powers to Environment Waikato. (Greater Wellington Regional Council, sub. 37, p. 7)

From 1 July 2008, Otago Regional Council has been responsible for building control for dams and their associated structures in the West Coast and Southland regions, along with certain dam safety management functions. The West Coast Regional Council and Environment Southland retain some functions in their regions, such as the issuing of Project Information Memoranda for dams and maintaining a register of dams. They are also responsible for resource consents for dams in their region.

The Management of Dams under the Building Act operates as a shared service in Otago, West Coast and Southland. Otago is the lead agency. This has worked well for the three regions as West Coast and Southland do not need to employ specialist staff. Otago becomes the 'centre of excellence' for dam safety and all three regions benefit from that. (West Coast Regional Council, sub. 50, p. 1)

'Dogs Online'

Hamilton City Council and Rotorua District Council have jointly established a shared services initiative, called 'Dogs Online'. Dogs Online is the first fully featured online dog registration service in New Zealand. In their combined entry to the 2012 the Society of Local Government Managers (SOLGM) Local Government Excellence Awards (Building Organisational Capability) they stated that "significant cost savings have been achieved by each council as a result of the collaboration."

Other key outcomes they listed were:

- Being able get more from financial investment in a package of services than each council could achieve individually
- A rationalised core business process resulting from challenging differences between the councils' improved approaches to project management, change management and business process analysis
- 40/60% split of costs of development between two councils. Definitely something the Rotorua District Council could not have afforded on its own

⁵ For example, Waikato Regional Council, 2012a and 2012b.

⁶ "The [Dam Safety Scheme] Regulations became law in July 2008 and took effect on 1 July 2010. From this date, owners of large dams had three months to submit a classification of their dam to the regional authority (DBH, 2010).

"The start date of the Dam Safety Scheme has been deferred by two years. The Dam Safety Scheme will now start on 1 July 2014.

An independent review of the Dam Safety Scheme in 2010 recommended that the Scheme should be retained and a number of improvements made. These are contained in the Building Amendment Bill No 4. This Bill is currently before Parliament.

Rather than bringing the Dam Safety Scheme into effect, while at the same time proposing significant changes, Cabinet recently agreed to the deferral of the Dam Safety Scheme from 1 July 2012 to 1 July 2014. The Building (Dam Safety) Regulations 2008 have been amended to reflect this deferral." (DBH, 2010)

- Both councils had opportunity to learn from each other's processes and approaches and to identify future opportunities through a 'Lean Thinking' event
- Number of steps to standardise the processes and policies for each council
- Opportunity to extend the solution to a wider number of councils as a cloud based service
- Opportunity to look at shared back-office in the future
- Demonstrated that the shared service and cloud based service could work successfully

(Hamilton City Council & Rotorua District Council, 2012)

The Waikato Food Safety Cluster

The Waikato Food Safety Cluster Group is a collaboration between five Waikato territorial authorities: Otorohanga District Council, Matamata-Piako District Council, Waikato District Council, Waipa District Council, and Hamilton City Council. The cluster was started as part of a New Zealand Food Safety Authority (NZSFA) trial to explore the opportunities presented by territorial authorities working in a 'cluster' to deliver a food regulatory service. The five territorial authorities had already been working together to deliver a building consents process (Waikato Building Consent Group).

The five TA General Managers were enthusiastic to support a food-based trial and NZSFA wished to utilise their experiences of cluster working to identify how it might assist in delivering new food safety regulation. (New Zealand Food Safety Authority, 2008)

The NZSFA also identified through the trial that encouragement of a cluster approach would tend to:

- Help attain the desired degree of delivery consistency at regional and national level;
- facilitate cooperation between NZSFA, individual territorial authorities and relevant regional providers;
- identify duplication of regulatory activities;
- help to remove conflict in the delivery of food safety systems;
- present opportunity to enhance professional roles;
- reinforce the credibility of organisations, systems and regulation...

In its submission Waitomo District Council commented on the success of the cluster approach:

This Cluster approach allows consistency in interpretation of standards across the region, provides peer support for staff who work in professional isolation and encourages best practice in regulatory administration. (Waitomo District Council, sub. 9, p. 6)

Cooperating in water reform

The Hawkes Bay Regional Council provides this case study in its submission on the draft inquiry report:

The Regional Sector of Local Government New Zealand agreed that they would cooperate on an agreed joint programme to implement the National Policy Statement for Freshwater Management. The various components of this collaborative approach included:

- A legal opinion to resolve the status of Policies A1 and A3, specifically how their requirements to adopt the best practicable option fit with the legislative requirement to "avoid, remedy or mitigate environmental effects."
- A paper on the First Principles of Water Allocation – looking at the methods for the allocation of freshwater to activities, and the consideration of possible transition paths from current allocation methods to possible future ones.
- A toolkit to bring together best practice in non-statutory programmes designed to improve water quality with the aim of improving understanding of best practice both within regional councils and within the wider community that has an interest in water quality.
- A policy paper and related advocacy tools and advice to support regional councils to engage in a process to improve the ability of councils to implement RMA policy more quickly.

This work, undertaken cooperatively, has cost each contributing council approximately \$10-12k and has is providing baseline information for the councils as they undertake their regulatory responses to the

NPS. The aim of the work programme was to provide a level of consistency for regional councils in their regulatory approaches (Hawkes Bay Regional Council, sub. DR 067, p. 6).

Regional coordination on planning

Greater statutory recognition for strategic planning would be useful to achieve alignment between agencies. A “regional strategic plan” could combine many elements of the current Regional Policy Statement and the Regional Land Transport Strategy, with a new function of spatial planning, as provided for in Auckland (Waikato Regional Council, sub. DR 92, p. 4).

The Northland Regional Council provides this case study in its submission on the draft inquiry report:

During 2009 we investigated the potential for a one plan approach to regional resource management in Northland ... Due to the lack of political buy-in within Northland district councils, we could not pursue a one plan approach to all regional resource management planning. This in itself represents an opportunity for improved regulation forgone.

Instead we proceeded with proposing a new Regional Policy Statement for Northland to set an improved and consistent framework for resource management that took a balanced approach to both economic and environmental consideration, including considerations of affordability and the costs of regulation in our section 32 analysis.

One of the positives to emerge from the development of the Proposed RPS was that all councils agree to work together on it and a committee of council with regional and district councillors was established to oversee the process. While this has not eliminated submissions from individual district councils from the process, there has been significant support for many of the issues, objectives, policies and methods in the Proposed RPS and a narrowing of the areas of contention.

We also ran a comprehensive stakeholder process prior to the notification of the Proposed RPS (including workshops and meetings with stakeholders, and included time for comments on an Issues and Options paper and a Draft RPS). This collaborative process has ensured that there was much support for the Proposed RPS and again a narrowing of the areas of contention. (The main areas of submitter concern relate to:

- the mapping of the coastal environment, (outstanding) landscapes, natural features and natural character within the coastal environment, and generally these are at an individual property level. One of the key concerns is that the RPS does not contain rules and there is a level of distrust amongst submitters that the district councils will promulgate rules that will deny landowners the ability to reasonably use their land.)
- what isn't included in the Proposed RPS – e.g. genetic engineering / GMOs and prohibitions on mining.)

While it is difficult to quantify any savings at this stage, and acknowledging we have still received many submissions, we think that the process of refining the material to be included in the Proposed RPS with stakeholders and with political support from the district councils has been beneficial, has reconciled competing views, priorities and accountabilities (both at the district and regional level, as well as between stakeholders) and has led to positive planning, maximised co-ordination, and will lead to more consistent planning throughout the region. Cross boundary issues and inter-council responsibilities are also clearly addressed.

We intend to review and combine the remaining regional plans once a decision on the Proposed RPS has been made and there is an intention to work with the district councils on combined plan changes around significant resource management issues, such as the rules for outstanding landscapes etc., to be included in district plans.

It is interesting to note that the Government is now consulting on fewer resource management plans and the potential for a combined plan for districts (or larger areas such as region if that is agreed).

It is likely that our current Proposed Regional Policy Statement could “slot into” such a plan or plans, but the initial lack of buy-in to working together on a one plan (and simultaneously developing the district rules to implement that relevant objectives and policies) can be seen as “cost” Northland could have avoided. (In that sense, collaboration from the outset may have been even more cost effective than originally thought.) (Northland Regional Council, sub DR 77, pp. 7-10)

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